

**FINAL OFFICIAL STATEMENT DATED JANUARY 26, 2000**

**New Issue  
Book Entry Only**

**Non-Rated**

In the opinion of Baker & Daniels, Indianapolis, Indiana ("Bond Counsel"), interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Service Code of 1986, as amended (the "Code"), except for interest on any Bonds for any period during which such Bonds are held by a "substantial user" of the Project (as defined herein) or a "related person" or in the event of a Determination of Taxability (as defined herein). The exclusion from gross income is conditioned on continuing compliance with the Tax Covenants (as defined herein). Interest on the Series 2000 A Bonds will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and must be taken into account for purposes of computing certain other federal taxes. In the opinion of Bond Counsel, under existing law, interest on the Series 2000 A Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana financial institutions tax and the Indiana inheritance tax. See "TAX MATTERS" herein.

**\$1,315,000  
INDIANA BOND BANK  
WATERWORKS UTILITY REVENUE BONDS, Series 2000 A  
(Washington Township Water Corporation of Monroe County)**

Dated: Date of Delivery

Due: January 1 and July 1, as shown below

The Bonds (as defined below) are being issued by the Indiana Bond Bank (the "Bond Bank") pursuant to Indiana Code 5-1.5, as amended (the "Act"), and in accordance with the Trust Indenture, dated as of February 1, 2000 (the "Indenture"), by and between the Bond Bank and Monroe County Bank of Bloomington, Indiana (the "Trustee"). The Bonds will be issued only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof and will bear interest from the date of delivery of the Bonds at the rates per annum and mature on January 1 and July 1 in the years and in the principal amounts set forth below. Interest will be payable on January 1 and July 1 of each year, commencing July 1, 2000 (each an "Interest Payment Date").

The Indiana Bond Bank Waterworks Utility Revenue Bonds Series 2000 A (Washington Township Water Corporation of Monroe County) (the "Bonds") will be fully registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of beneficial interests in the Bonds, so long as DTC or its nominee is the registered owner thereof, will be made in book-entry form. Purchasers of a beneficial interest in any Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in such Bonds so long as DTC or its nominee is the registered owner thereof. Interest on such Bonds, together with the principal of and premium, if any, thereon, will be paid directly to DTC by the Trustee so long as DTC or its nominee is the registered Owner of such Bonds. The disbursements of such payments to the Beneficial Owners will be the responsibility of DTC, the DTC Participants and Indirect Participants all as more fully described herein under the caption "MISCELLANEOUS – Book-Entry System".

The Bonds are being issued by the Bond Bank for the principal purpose of providing funds to be loaned to Washington Township Water Corporation of Monroe County (the "Corporation") pursuant to a Loan Agreement (as defined herein). The proceeds of the Bonds loaned to the Corporation will be used to acquire, construct and install system improvements and extensions (as defined herein) and to pay certain of the costs of issuance of the Bonds.

In connection with an acquisition of the Bonds by financial institutions, the Bonds have not been designated as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

**THE BONDS ARE LIMITED OBLIGATIONS OF THE BOND BANK AND ARE PAYABLE SOLELY FROM PAYMENTS MADE BY THE CORPORATION PURSUANT TO ITS OBLIGATIONS UNDER THE LOAN AGREEMENT IN FAVOR OF THE BOND BANK. THE BONDS DO NOT CONSTITUTE A GENERAL OR MORAL OBLIGATION OF THE BOND BANK AND A RESERVE FUND WILL NOT BE ESTABLISHED OR MAINTAINED BY THE BOND BANK FOR THE BONDS. CONSEQUENTLY, THE BOND BANK WILL NOT SEEK AN APPROPRIATION FROM THE INDIANA GENERAL ASSEMBLY TO PAY DEBT SERVICE ON THE BONDS IN THE EVENTS THE CORPORATION FAILS TO MAKE TIMELY PAYMENTS PURSUANT TO THE LOAN AGREEMENT. THE CORPORATION IS REQUIRED TO FUND A DEBT SERVICE RESERVE ACCOUNT OVER FIVE YEARS TO PARTIALLY SECURE THE PAYMENTS DUE ON THE BONDS AS DESCRIBED IN THIS OFFICIAL STATEMENT UNDER THE CAPTION "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – DEBT SERVICE RESERVE ACCOUNT". THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR LOAN OF THE CREDIT OF THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF, UNDER THE CONSTITUTION AND LAWS OF THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF. THE SOURCES OF PAYMENT OF, AND SECURITY FOR, THE BONDS ARE MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT UNDER THE CAPTION "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS". THE BOND BANK AND THE CORPORATION HAVE NO TAXING POWER.**

Interest on the Bonds is payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2000, by check mailed by the Trustee one Business Day (as defined herein) prior to an Interest Payment Date to the Owners thereof as of the Record Date (as defined herein). Principal of and premium, if any, on the Bonds will be payable at the principal corporate trust office of the Trustee on January 1 of each year pursuant to the maturity schedule shown on the following page.

The Bonds may be prepaid in whole or in part on any date on or after January 1, 2011, upon the occurrence of certain events, as described in this Official Statement under the caption "THE BONDS – Redemption".

**The lien on the revenues securing the Bonds will be junior and subordinate to the liens securing certain loans heretofore made by the National Bank of Cooperatives ("CoBank"), which loans are in the approximate aggregate principal amount of \$69,426.65 outstanding as of January 1, 2000 and last maturing in April 20, 2002.**

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are being offered by City Securities Corporation (the "Underwriter") when, as and if issued by the Bond Bank and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Baker & Daniels, Indianapolis,

Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its General Counsel, Barnes & Thornburg, Indianapolis, Indiana and for the Corporation by its special counsel with respect to rates and charges established for collection, Mark Cooper, Indianapolis, Indiana. It is expected that the Bonds in definitive form will be available for delivery in Indianapolis, Indiana, on or about February 16, 2000.

## CITY SECURITIES CORPORATION

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
7/1/00	\$15,000	4.40%	1/1/03	\$35,000	5.20%	7/1/05	\$40,000	5.50%
1/1/01	15,000	4.80%	7/1/03	35,000	5.20%	1/1/10	50,000	6.15%
7/1/01	20,000	4.80%	1/1/04	35,000	5.35%	7/1/10	50,000	6.15%
1/1/02	15,000	5.00%	7/1/04	35,000	5.35%	1/1/11	55,000	6.30%
7/1/02	20,000	5.00%	1/1/05	40,000	5.50%	7/1/11	55,000	6.30%

\$355,000 Term Bond	Due: 7/1/09	Interest Rate: 6.00%
\$445,000 Term Bond	Due: 1/1/15	Interest Rate: 7.00%

### REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Bond Bank, the Underwriter, the Corporation or DTC to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth under the captions "THE INDIANA BOND BANK" and "LITIGATION" has been obtained from the Bond Bank. All other information has been obtained from the Corporation, DTC and other sources (other than the Bond Bank) which are believed to be reliable, but it is not a guarantee as to the accuracy or completeness, and it is not to be construed as a representation of the Bond Bank. All information provided by sources other than the Corporation is not guaranteed as to accuracy or completeness of any information in this Official Statement. No representations, warranty or guarantee is made by the Underwriter as to accuracy or completeness of any information in this Official Statement. No representations, warranty or guarantee is made by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bond Bank or the Corporation since the date hereof.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR SECURITIES EXCHANGE. NEITHER A MUNICIPAL OR OTHER GOVERNMENT ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OF THIS OFFICIAL STATEMENT OR APPROVED THE BONDS FOR SALE.

## TABLE OF CONTENTS

INTRODUCTION.....	1
THE INDIANA BOND BANK .....	1
THE CORPORATION.....	2
THE PROJECT .....	7
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	7
THE BONDS.....	7
ESTIMATED SOURCES AND USES OF FUNDS.....	11
BONDHOLDERS' RISKS .....	11
OPERATION OF FUNDS AND ACCOUNTS .....	12
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE .....	14
SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.....	18
THE BONDS AS LEGAL INVESTMENTS.....	24
LITIGATION .....	24
TAX MATTERS .....	24
LEGAL MATTERS .....	25
UNDERWRITING.....	25
CONTINUING DISCLOSURE .....	26
INDEPENDENT AUDITORS .....	28
MISCELLANEOUS.....	28
DEFINITIONS .....	Appendix A
OPINION OF BOND COUNSEL.....	Appendix B
FORECASTED FINANCIAL STATEMENTS.....	Appendix C
FINANCIAL STATEMENTS FOR CALENDAR YEARS 1998 AND 1997 .....	Appendix D



## **INTRODUCTION**

The purpose of this Official Statement is to set forth certain information concerning the issuance and sale by the Bond Bank (the "Bond Bank") of \$1,315,000 Indiana Bond Bank Waterworks Utility Revenue Bonds Series 2000 A (Washington Township Water Corporation of Monroe County) (the "Bonds"). The Bonds are being issued pursuant to the provisions of Indiana Code 5-1.5, as amended (the "Act") and the Indenture (as defined herein). Capitalized terms as used herein are defined in either the Indenture or Loan Agreement, summaries of which documents are set forth within.

The Bonds are to be issued under and secured by a Trust Indenture dated as of February 1, 2000 (the "Indenture"), between the Bond Bank and Monroe County Bank, as trustee (the "Trustee"). The principal of, premium, if any, and interest on the Bonds are payable solely from Revenues (as defined in the Indenture) including the payments on a promissory note dated as of February 1, 2000, (the "Note") issued in favor of the Bond Bank by the Washington Township Water Corporation of Monroe County, an Indiana not-for-profit corporation (the "Corporation").

The Bonds are being used to finance the construction of a 12" water line (27,000 feet in length) and related equipment; connection fees to another water system; expenses associated with several loop closures; water tower repairs; acquisition of touch meters; office building improvements; cost of easements and to pay certain costs of issuing the Bonds. The proceeds of the Bonds will be loaned to the Corporation for this purpose (the "Loan") and will be evidenced by the Note. The Corporation is unconditionally obligated under the Note to make payments at times and in amounts sufficient to enable the Bond Bank to meet its obligations on the Bonds.

THE BONDS AND THE INTEREST THEREON DO NOT AND SHALL NEVER CONSTITUTE A GENERAL OBLIGATION OF THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF INCLUDING THE BOND BANK WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT, FUNDS OR ASSETS OF THE STATE OF INDIANA, OR ANY POLITICAL SUBDIVISION THEREOF INCLUDING THE BOND BANK OR THE TAXING POWERS OF THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF, AND NO HOLDER OF ANY BOND MAY COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF TO PAY PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE BOND BANK NOR THE CORPORATION HAVE THE POWER TO LEVY OR COLLECT TAXES.

The Bonds are limited obligations of the Bond Bank payable solely from the Revenues. Pursuant to the Indenture, the Bond Bank has pledged and assigned to the Trustee (for the benefit of the holders of the Bonds) all of the Bond Bank's right, title and interest in and to the Note and the Loan Agreement. The Loan Agreement dated as of February 1, 2000 (the "Loan Agreement") between the Bond Bank and the Corporation creates a security interest in and to all of the Corporation's revenues. The security interest is for the benefit of all the bondholders. This security interest is junior and subordinate to the mortgage and security interest originally granted in favor of CoBank in and to all of the Corporation's real and personal and tangible and intangible property. The lien in favor of CoBank secure debts in the aggregate principal amount existing on January 1, 2000 of approximately \$69,426.65 and last maturing in April 20, 2002

Brief descriptions of the Bonds, the Indenture, the Loan Agreement and the Note are included in this Official Statement. All summaries herein of documents and agreements and all references herein to the Bonds are qualified in their entirety by reference to the documents themselves and the form of Bonds included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements.

## **THE INDIANA BOND BANK**

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State of Indiana (the "State") for the public purposes set out in the Act. The Bond Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bond Bank is governed by a Board of seven Directors including the Treasurer of the State, Tim Berry, who serves as Chairman Ex Officio, and the Director of the State Department

of Financial Institutions, Charles W. Phillips, who serves as Director Ex Officio, and five additional Directors, each appointed by the Governor of the State.

Each of the five Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term and until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor for the unexpired term only.

The Directors elect one Director to serve as Vice-Chairman. The Directors also appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board of Directors, any four of whom constitutes a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board of Directors of the Bond Bank.

Pursuant to the Act, the Bond Bank is to assist “qualified entities”, defined in the Act to be political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.51(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), not-for-profit utilities, as defined in Indiana Code 8-1-2-12.5, any commissions, authorities or authorized bodies of any qualified entity, as defined in the Act, any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities and any commission, authority or instrumentality of the State (collectively, the “Qualified Entities”) through a program of purchasing the bonds, notes or evidence in indebtedness of such Qualified Entities, or leases, certificates or other evidence of participation in lessors’ interests in and rights under leases with Qualified Entities, or obligations of Qualified Entities under agreements between such Qualified Entities and the Bond Bank (the “Qualified Obligations”). Under the Act, Qualified Entities include such entities as all State universities, State commissions and authorities, cities, towns, counties, school corporations, library corporations, not-for-profit utilities and not-for-profit corporations and associations which lease facilities or equipment to such entities.

## **THE CORPORATION**

### **General Business Matters**

The Corporation is an Indiana not-for-profit corporation incorporated on February 18, 1964 under the Indiana General Not-For-Profit Corporation Act. The Corporation owns and operates a water transmission and distribution system which provides potable water to its members for residential, commercial and agricultural uses. The Corporation provides potable water to its members who are rural residents of Bloomington, Washington and Beanblossom Townships in Monroe County and Washington and Baker Townships in Morgan County.

The Corporation is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Service Code of 1986, as amended, and is exempt from the Indiana corporate gross income tax.

### **Regulatory Matters**

At present, the Corporation is subject to the jurisdiction of various state and federal agencies. Among the agencies which regulate various activities of the Corporation are the Indiana Utility Regulatory Commission (“IURC”), the United States Environmental Protection Agency (“EPA”), and the Indiana Department of Environmental Management (“IDEM”).

The Corporation has received authority from the IURC to operate as a public water utility in the State. The regulatory authority of the IURC extends to the Corporation’s rates and charges, service, acquisition of properties, accounting practices, engineering practices and issuance of long-term indebtedness. See “BONDHOLDERS’ RISKS – State Regulatory Matters.”

The Corporation is subject to water quality control regulations, including those issued by the EPA and the IDEM. Under the federal Safe Drinking Water Act (“SDWA”), the Corporation is subject to regulation by EPA respecting the quality of the water that it sells. EPA promulgates nationally applicable maximum contaminant levels (“MCLs”) for “contaminants” found in the drinking water, and management believes that the water supplied by the Corporation is currently

in compliance with all MCLs promulgated to date. EPA has continuing authority, however, to issue additional regulations under the SDWA.

The State also has statutes and regulations which regulate the quality of the drinking water. The regulations are administered by the IDEM and are substantially similar to the EPA regulations under the SDWA. In addition, the Indiana State Department of Health retains some jurisdiction over health issues relating to drinking water.

#### Loans Outstanding

The Corporation has a single loan outstanding with CoBank. As of January 1, 2000, the principal outstanding on the loan is \$69,426.65. Monthly principal and interest payments are scheduled to continue throughout the remaining term of the loan. The final payment is currently schedule to be made on or before April 20, 2002.

#### Competition

The permit granted to the Corporation by the IURC entitles the Corporation to lay, maintain and operate its mains and conduits in public streets and right-of-ways throughout the area it serves. These rights are not exclusive, but the Corporation is aware of no other competitors operating within the area of service, and the Corporation does not anticipate that any significant competition will develop.

#### Employees

As of January 1, 2000, the Corporation has two (2) full-time employees neither of whom are represented by a labor union.

#### Seasonal Nature of Business

Typically, the seasonal nature of the Corporation's business results in the highest proportion of operating revenues being realized in the third quarter of the fiscal year. The first quarter of the fiscal year typically results in the lowest proportion of operating revenues.

#### Future Expenses

The Corporation has no plans for any additional construction projects at this time.

#### User Connections

Based upon information provided by management, the number of water customers (each of whom is a member of the Corporation) for the past five year-ends is set forth below:

<u>Year</u>	<u>Number</u>
1995	1,106
1996	1,143
1997	1,193
1998	1,191
1999	1,219

#### Water Rates and Charges

The Corporation's schedule of water rates and charges is subject to the approval of the IURC. The following table sets forth a summary of the Corporation's current and proposed rates and charges approved by the IURC on June 16, 1999, pursuant to Cause No. 41441:

(a) <u>Metered Rates per Month</u>		<u>Per 1,000 Gallons</u>
First 3,000	gallons per month	\$5.17
Next 3,000	gallons per month	4.33
Next 4,000	gallons per month	3.74
Next 10,000	gallons per month	2.96
Next 40,000	gallons per month	2.38
Over 60,000	gallons per month	1.60

(b) Minimum Charge per month

Each user shall pay a minimum charge in accordance with the following applicable size of meter installed, for which the user will be entitled to the quantity of water set out in the above schedule of rates

<u>Size of Meter</u>	<u>Rate</u>
5/8 or 3/4 inch meter (2,200 gal.)	\$ 11.37
1-inch meter (9,330 gal.)	40.95
1-1/2 inch meter (13,870 gal.)	54.92
2 inch meter (76,700 gal.)	194.98

(c) Multiple Billing Units

In the case of apartment houses, trailer courts or business houses occupied by more than one business, each apartment, trailer and business shall be considered a separate billing unit. Where the physical structure is such that it would be economically prohibitive to meter separately each billing unit and more than one billing unit is metered by a single meter, then the amount of the monthly water bill for each billing unit shall be computed as follows:

The total gallons used shall be divided by the number of separate billing units and the resulting number of gallons shall be used to compute the bill for each billing unit. The minimum monthly charge shall be the larger of the monthly minimums of the oversized meter or the resultant amount determined by the multiplying of the number of separate billing unit by \$11.37.

(d) Membership Fees

<u>Size of Meter</u>	<u>Rate</u>
5/8 or 3/4 inch meter	\$ 180.00
1 inch meter	460.00
1-1/2 inch meter	1,050.00
2 inch meter	1,850.00

(e) Connection of Tap-on Fees

Each user at the time he is connected with the waterworks system, which charge shall cover the cost of the following: excavating and tapping the main: furnishing and installing service pipe from the main to the lot line: furnishing and installing corporation and stop crocks: and furnishing and installing meter cock (if outside), yoke and meter. The charge for a five-eighths inch (5/8") meter tap shall be four hundred twenty-five dollars (\$425.00) plus \$9.00 per foot plus \$2.00 per inch in diameter for road bores and rock removal at \$225.00 per cubic yard. The charge for a tap larger than the five-eighths inch tap shall be the cost of labor, material, power, machinery, transportation and overhead incurred for installing the tap, but shall not be less than the charge for a five-eighths inch meter tap.

(f) Temporary Users

Water furnished to temporary users such as contractors, circuses, etc., shall be charged on the basis of the metered gallons rates herein before set forth as estimated and established by the Waterworks Superintendent.

(g) Collection and Deferred Payment Charges

All bills for water services not paid within 15 days from the due date thereof, as stated in such bills, shall be subject to the collection or deferred payment charge of 10% on the first \$3.00 and 3% on the excess over \$3.00.

(h) Disconnection and Reconnection Charges

Due to non-payment of bill the water will be disconnected. During regular business hours, a twenty-five dollar (\$25.00) fee will be charged for disconnection. When reconnecting, during regular business hours, twenty-five dollars (\$25.00) will be charged. These charges, together with any delinquent amount due the Corporation, shall be paid by the customer before service is reconnected. If reconnected after regular business hours the reconnect fee will be fifty dollars (\$50.00).

(i) Bad Check Charge

Charge for bad check will be twelve dollars (\$12.00).

(j) Lock and Shackle Charge

Charge for the destruction of either a lock or shackle will be fourteen dollars (\$14.00).

Large Users

The following schedule sets forth the 1999 revenues billed by the Corporation from its five (5) largest users, based upon the information reported by management. Revenues by the five (5) largest users represented 4.39% of the Corporation's total 1999 revenues.

<u>Name</u>	<u>Total 1999 Billings</u>
Oliver Winery	\$4,871
Star of Indiana	\$4,679
Ivan Jackson	\$1,861
Wheeler Mission	\$1,322
Natures Way	\$1,204

Area Served

The Corporation provides potable water to its members who are rural residents of Bloomington, Washington and Beanblossom Townships in Monroe County and Washington and Baker Townships in Morgan County. The area is generally located near Bloomington, Indiana in south central Indiana (approximately 45 miles south of Indianapolis, Indiana). According to information provided by management, the major employers within the Corporation's service area include:

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Monroe County Solid Waste	Solid Waste District	20-49
Oliver Winery	Winery	5-10
Star of Indiana	Transportation/Tours	20-49
General Sheet Metal	Manufacturing	20-49
Worms Way	Nursery	5-10

#### Directors and Executive Officers and Significant Employees

The name and position of each director and executive officer of the Corporation are set forth below. Each director is elected by the members of the Corporation to serve a term of 3 years and until a successor is duly elected and qualified. The executive officers of the Corporation are elected annually by the Board of Directors for a term of one year and until their successors are elected and qualified, provided, however, that an executive officer may be removed by the Board of Directors at any time.

<u>Name</u>	<u>Title/Position</u>	<u>Term Expires</u>
Mike Wampler	President	January 1, 2001
Tonya Arthur	Secretary	January 1, 2003
Lou Schwitzer	Vice President	January 1, 2001
John VanDeventer	Treasurer	January 1, 2002
Kathe Anderson	Director	January 1, 2001
Cark Peterson	Director	January 1, 2002
Robert Long	Director	January 1, 2003
Robert Purtlebaugh	Director	January 1, 2003
Mark Schmitter	Manager	
C.E. Richardson	System Contractor	

#### Remuneration of Directors and Officers

The Directors of the Corporation receive \$25 per meeting for their services as a director of the Corporation. In 1999 there were 17 meetings.

#### Security Ownership of Management

As a not-for-profit company, the Corporation is owned by its members, each of whom holds one membership certificate. Each certificate entitles the member to one vote on all matters to the members, including the election of directors. Each director and officer of the Corporation is also a member of the Corporation. As of January 1, 2000, the Corporation had 1,219 members.

## **THE PROJECT**

The Corporation intends to finance the construction of a 12" water line (27,000 feet in length) and related equipment; connection fees to another water system; expenses associated with several loop closures; water tower repairs; acquisition of touch meters; office building improvements; cost of easements and to pay certain costs of issuing the Bonds (collectively, the "Project"). The Project requires financing in the total amount of \$1,357,000, which is comprised of the Bonds in the aggregate principal amount of \$1,315,000 and an additional \$42,000 contribution by the Corporation.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

**Limited Obligation.** The Bonds are limited obligations of the Bond Bank, payable as to principal, premium, if any, and interest solely from the Revenues. The Bonds and the interest thereon shall never constitute a general or moral obligation of the State of Indiana, any political subdivision thereof or the Bond Bank within the meaning of any constitutional or statutory provision or limitation and shall never constitute or give rise to a charge against the general credit, funds or assets of the State of Indiana, any political subdivision thereof or the Bond Bank or the taxing powers of the State of Indiana or any political subdivision thereof and no holder of any Bond may compel the exercise of the taxing power of the State of Indiana or any political subdivision thereof to pay principal of, premium, if any, or interest on the Bonds. **THE BOND BANK WILL NOT MAINTAIN A DEBT SERVICE RESERVE FOR THE BONDS. NEITHER THE BOND BANK NOR THE CORPORATION HAS THE POWER TO LEVY OR COLLECT TAXES.**

**Security for the Bonds.** The Corporation has granted to the Bond Bank a security interest in and to all of the Corporation's revenues (the "Revenues"). Pursuant to the Indenture, the security interest has been assigned to the Trustee for the benefit of the bondholders. The loan agreement which has been assigned to the Trustee for the benefit of the bondholders creates a lien on the Revenues that is junior and subordinate to liens created in favor of CoBank. CoBank's liens secure debts in the aggregate principal amount of \$69,426.65 as of January 1, 2000, which debts have a final maturity of April 20, 2002.

**Debt Service Reserve Account.** The Loan Agreement creates a Debt Service Reserve Account for the Bonds and the Loan Agreement requires that the Corporation make monthly payments into the Debt Service Reserve Account until the amount therein equals the maximum annual principal and interest payable in any calendar year while the Bonds remain outstanding (the "Debt Service Reserve Requirement"). The Debt Service Reserve Requirement is to be funded over a 60 month period commencing in March 2000. The Debt Service Reserve Requirement will be reduced to 100% of debt service in any bond year that it exceeds 100% of debt service. It is not expected that the Debt Service Reserve Requirement will be reduced pursuant to this limitation.

## **THE BONDS**

**General Description.** The Bonds are issuable under the Indenture as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Each Bond will carry an original issue date as of the date of delivery, and the date on which it is authenticated. If any Bond is authenticated prior to February 1, 2000, it will bear interest from the date of delivery. Each Bond authenticated on or after February 1, 2000 will bear interest from the most recent date on which interest was payable (the "Interest Payment Date") and has been paid prior to the date of authentication of such Bond. However, if a Bond is authenticated after the fifteenth day of the month prior to an Interest Payment Date (the "Record Date") and on or prior to such following Interest Payment Date, such Bond will bear interest from that following Interest Payment Date.

The Bonds will be issued in the principal amount of \$1,315,000 and shall mature and bear interest as set forth inside the cover page of this Official Statement.

Interest on the Bonds will be payable semiannually on January 1 and July 1 commencing July 1, 2000, by check issued by the Paying Agent dated the due date and mailed one Business Day prior to each Interest Payment Date to the registered Owners as of the close of business on the most recent Record Date.

Principal of the Bonds will be payable on their respective Maturity Dates upon presentation of the Bond at the principal corporate trust office of the Paying Agent.

The proceeds of the bonds will be loaned to the Corporation to finance a part of the cost of the acquisition, and construction of a 12" water line (27,000 feet in length) and related equipment; connection fees to another water system; expenses associated with several loop closures; water tower repairs; acquisition of touch meters; office building improvements; cost of easements and to pay certain costs of issuing the Bonds.

**Optional Redemption.** The Bonds (or any portions thereof in integral multiples of \$5,000 each) maturing on or after January 1, 2012, are subject to redemption in whole or in part, in principal amounts and maturities selected by the Bond Bank upon the direction of the Corporation and by lot within such maturity or maturities by the Trustee, on any date on or after January 1, 2011, at a redemption price expressed as a percentage of the principal amount of each Bond to be redeemed in accordance with the following schedule plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
January 1, 2011 or thereafter or on or before December 31, 2011	102%
January 1, 2012 or thereafter or on or before December 31, 2012	101%
January 1, 2013 or thereafter prior to maturity	100%

The Bonds maturing on July 1, 2009 are subject to mandatory sinking fund redemption at 100 percent of the face value of each Bond to be redeemed in accordance with the following schedule, plus accrued interest to the redemption date:

<u>Date</u>	<u>Principal Amount</u>
January 1, 2006	\$40,000
July 1, 2006	40,000
January 1, 2007	45,000
July 1, 2007	45,000
January 1, 2008	45,000
July 1, 2008	45,000
January 1, 2009	45,000
July 1, 2009	50,000

The Bonds maturing on January 1, 2015 are subject to mandatory sinking fund redemption at 100 percent of the face value of each Bond to be redeemed in accordance with the following schedule, plus accrued interest to the redemption date:

<u>Date</u>	<u>Principal Amount</u>
January 1, 2012	\$55,000
July 1, 2012	60,000
January 1, 2013	60,000
July 1, 2013	65,000
January 1, 2014	65,000
July 1, 2014	70,000
January 1, 2015	70,000

**Optional Redemption at the Direction of the Corporation.** The Bonds are also subject to optional redemption by the Bond Bank, on whole or in part, at the direction of the Corporation, on any date at a price of 100% of the principal of the amount thereof plus interest accrued to the redemption date, upon the occurrence of any of the following events:

1. If title to or the use for a limited period of substantially all of the Project be condemned by any authority having the power of eminent domain;
2. If title to substantially all of the Project is found to be deficient or nonexistent to the extent that the efficient utilization of the Project by the Corporation is impaired;

3. If substantially all of the Project is damaged or destroyed by fire or other casualty;
4. If as a result of changes in the Constitution of the State of Indiana, or of legislative or administrative action by the State of Indiana or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Indenture or the Loan Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such changes or actions, unreasonable burdens or excessive liabilities are imposed on the Corporation; or
5. within 90 days after any balance of moneys after the completion of the Project is transferred from the Construction Account to the Redemption Account in accordance with the Indenture.

Notice of Redemption. The Corporation shall give the Trustee not less than forty-five (45) days prior written notice of any prepayment of the Note.

Transfer and Exchange. The Bonds may be transferred or exchanged at the principal corporate trust office of the Registrar, to the extent and upon the conditions set forth in the Indenture, including the payment of a sum sufficient to cover any tax or other governmental charge for any such transfer or exchange that may be imposed upon the Bond Bank or the Registrar. The registrar will not be required to register, transfer or exchange any Bond (i) on or after any Record Date and prior to the next Interest Payment Date, (ii) during the forty-five days preceding the date of any proposed redemption of any Bonds, or (iii) during the period of thirty days prior to mailing of a notice of redemption of any Bonds.

In the event any Bond is mutilated, lost, stolen or destroyed, the Bond Bank may issue and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Indenture, and the Trustee may charge the holder or Owner of such Bonds for its reasonable fees and expenses in connection therewith, including the cost of having a replacement Bond printed.

Book-Entry System. DTC will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the “DTC Participants”) and to facilitate the clearance and settlement of securities transactions among DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (or their representatives or both) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect Participants”).

The DTC participants shall receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) will be recorded through the records of the DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bond acquired from the appropriate DTC Participants or Indirect Participant.

Transfers of ownership interest in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the Corporation or its agent and discharging its responsibilities with respect thereto under applicable law. The Corporation may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in

the best interest of the Beneficial Owners. In either such event, ownership of each Bond will be transferred to such person or persons, including any other clearing agency, as the holder of such Bond may direct. See “Revision of Book-Entry-Only System”.

The Corporation and the Trustee will recognize DTC or its nominee as the bondholder for all purposes, including without limitation, the receiving of payment of the principal of and interest on any Bonds, the receiving of notice and the giving of consent. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. DTC has no knowledge of the actual Beneficial Owners of the Bonds. The Corporation will not have any responsibility or obligation to any DTC Participants or Indirect Participant, or any person on behalf of which, or otherwise in respect of which, any such participant holds any interest in any Bonds, including, without limitation, any responsibility or obligation to maintain accurate records of any interest in any Bonds or any responsibility or obligation with respect to the receiving of payment of principal of or interest on any Bonds, the receiving of notice or the giving of consent.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. DTC’s current practice is to credit the accounts of the DTC Participants on a payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe that it will not receive payment on a payable date. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such DTC Participant or Indirect Participants and not of DTC, or the Corporation, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium and interest to DTC is the responsibility of the Corporation or the Trustee and disbursement of such payments to DTC Participants shall be the responsibility of DTC Participants and Indirect Participants.

Certain of the information under “Book-Entry-Only System” have been extracted from a report from DTC entitled “Book-Entry-Only Municipals”. No representation is made by the Bond Bank, the Corporation or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

Revision of Book-Entry-Only System. In the event that either (1) the Corporation receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Bonds or (2) the Corporation elects to discontinue its use of DTC as a clearing agency for the Bonds, then the Corporation will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Bonds and to transfer the ownership of each of the Bonds to such person or persons, including any other clearing agency, as the holder of such Bonds may direct. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Bonds will be paid by the Corporation.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

### **ESTIMATED SOURCES AND USES OF FUNDS**

From the sale proceeds of the Bonds, \$26,300.00 will be applied toward the Underwriter’s discount and the remaining \$1,288,700.00 will be deposited in the Construction Account. The proceeds of the Bonds will be applied, together with other available funds, to (i) finance the costs of the Project and (ii) pay the costs of issuing the Bonds. Summarized below are the sources of funds which will be available for such purposes and the uses of funds required for such purposes.

**Sources:**

Par Amount of Bonds	<u>\$1,315,000</u>
Total Sources	<u>\$ 1,315,000</u>

**Uses:**

Deposit to Construction Account	\$1,288,700
Underwriter's Discount	<u>26,300</u>
Total Uses	<u>\$ 1,315,000</u>

**BONDHOLDERS' RISKS**

The ability of the Bond bank to pay principal of, redemption premium, if any, and interest on the Bonds depends solely upon the receipt by the Bond Bank of payments from the Corporation on the Note issued pursuant to the Loan Agreement. When fully funded, the Debt Service Reserve Requirement will be in an amount equal to the maximum annual debt service on the Bonds then outstanding and will be used only to make up for any deficiencies in the event of one or more defaults by the Corporation in making such Note payments, and there is no source from which the Bonds will be paid except such payments from the Corporation. The realization of such revenues by the Corporation is subject to, among other things, future economic conditions and other conditions which are variable and not certain of prediction. For a description of procedures for providing for payments on the bonds, see the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

Existing Corporation Indebtedness. The Corporation is presently indebted pursuant to loans originally made by CoBank. The aggregate outstanding principal amount of this indebtedness was approximately \$69,426.65 as of January 1, 2000. This debt is secured by a mortgage and security interest in and to all of the Corporation's property, including the Project. The mortgage and security interest in favor of such debt is senior and superior to the lien created for the benefit of the bondholders. Thus in the event that a default occurs, CoBank may require that its debt be paid in full out of the proceeds of any sale of the Corporation's property including the Project before any payments could be made out of the sale proceeds to Owners of the Bonds.

Debt Service Reserve Account. The ability of the Bond Bank to pay principal of, premium, if any, and interest on the Bonds depends upon the receipt by the Bond Bank of Loan Payments from the Corporation sufficient to make the principal, premium, if any, and interest payments on the Bonds. The Debt Service Reserve Requirement created under the Indenture for the Bonds is required to be funded over 60 months with Reserve Payments by the Corporation of \$2,490 per month commencing in March 2000. There can be no representation or assurance that the Corporation will realize sufficient rates, charges or other revenues to make its required Loan Payments. The realization of such revenues by the Corporation is subject to, among other things, future economic conditions and other conditions which are variable and cannot be predicted.

Changes in Federal Tax Laws. Changes and proposed changes in the Federal tax laws could affect the exclusion of interest on the Bonds under Section 103 of the code from gross income for purposes of federal income taxation under certain circumstances. The Bond Bank has covenanted under the Indenture to use its best efforts to comply with all actions required to assure the continuing exclusion of interest on the Bonds from gross income for Federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Bonds to be taxable retroactive to the date of issuance. Also, the Corporation has made certain covenants under the Loan Agreement regarding the continuing exclusion of interest on the Bonds from gross income for Federal income tax purposes. Failure by the Bond Bank or the Corporation to comply with such covenants could also adversely affect the exempt status of the interest on the Bonds retroactive to the date of issuance. See the caption "TAX MATTERS".

Mandatory Redemption Upon Event of Taxability. If an event occurs or fails to occur which causes the interest of the Bonds to become includable in gross income for federal income tax purposes (except for interest on any Bond for any period during which such Bond is owned by a person who is a "substantial user" of the Project or a "related person" as defined in Section 147(a) off the Code) the Bonds are subject to mandatory redemption on any date. The redemption price

under such circumstances is 103% of the outstanding principal amount of the Bonds together with accrued interest thereon to the redemption date unless the Determination of Taxability occurs solely as a result of federal tax law changes, in which case the Bonds will be redeemed at par, without premium. There is no requirement that the Bond Bank or the Corporation reimburse the holders of the Bonds for any retroactive tax liability or increase in the interest rate on the Bonds.

Remedies Limited. The remedies available to the Trustee, to the Bond Bank or to the Owners of the Bonds upon an event of default under the Indenture, the Loan Agreement or under the terms of the Note purchased by the Bond Bank are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture, the Loan Agreement and under the Note may not be readily available or may be limited. Further, the Trustee is required to pursue certain courses of action upon the written request of the Owners of fixed percentages of the Bonds Outstanding.

Bankruptcy of the Corporation. In the event of the bankruptcy of the Corporation, there may be no source of Revenues for repayment of the Bonds and certain payments on the Bonds may not be recoverable from Bond Owners by the bankruptcy court.

State Regulatory Matters. The Corporation's activities are subject to regulation by several federal and state agencies, including the IURC. Pursuant to the laws of the State and the regulations of the IURC, the Corporation must obtain the IURC's approval prior to issuing notes or other evidences of indebtedness payable more than one year from the execution thereof.

Under Indiana law, if the IURC determines the proposed issuance of the Note is in the public interest, is in accordance with the laws governing the issuance of securities by public utilities, is reasonably necessary in the operation and management of the business of the Corporation in order that the Corporation may provide adequate service and facilities, and otherwise complies with Indiana law, the IURC will issue an order authorizing the issuance of the Note. The IURC is required to make such investigations, including hearings and the examination of witnesses, documents, books or contracts, as it may deem of importance in enabling it to reach a decision. The IURC may impose such conditions upon the Corporation in issuing the Note as it may deem reasonable. The Corporation petitioned IURC on May 12, 1999 and received approval on June 16, 1999 for issuance of the Note.

Indiana law requires the Corporation to file with the IURC a schedule of the rates and charges it has established for its services. See "The Corporation – Water Rates and Charges" for information with respect to the Corporation's current rates and charges. The Corporation's rates and charges may be changed only after notice to, and approval by the IURC; provided, however that a request for a general increase in rates cannot be made within 15 months of the date of any prior rate increase request. Management currently believes that the Corporation's rates and charges will provide Revenues sufficient to enable the Corporation to pay the expenses and existing indebtedness of its operations and satisfy its obligations under the Note for the foreseeable future. If the Revenues generated by the Corporation's current rates and charges become inadequate in the future, the Corporation would be compelled to seek a rate increase.

Lack of Territorial Rights. The Corporation does not have the exclusive rights to provide the territory in which it presently operates with water. Although the Corporation has no reason to believe that other utilities are desirous of providing water in its territory, a competitor could begin such operations at any time. This type of competition could have an adverse material impact on the Corporation's business.

## **OPERATION OF FUNDS AND ACCOUNTS**

The Indenture establishes the following Accounts to be held by the Trustee:

1. Revenue Account;
2. Construction Account;

3. Rebate Account;
4. Redemption Account
5. Cost of Issuance Account; and
6. Debt Service Reserve Account.

Revenue Account. The Trustee will deposit in the Revenue Account, as and when received, all payments received pursuant to the Loan Agreement and Note; and all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement and Note which are required or which are accompanied by directions that such moneys are to be paid into the Revenue Account. So long as any of the Bonds are outstanding the Bond Bank will deposit, or cause to be paid to the Trustee for deposit, in the Revenue Account all Revenues.

Moneys in the Revenue Account will be used by the Trustee to pay principal of, premium, if any, and interest on the Bonds as they become due at maturity or upon redemption or acceleration. The Trustee will transmit such funds to the Paying Agent in sufficient time to ensure that such principal, premium, if any, and interest will be paid as it becomes due.

Construction Account. The Trustee will deposit \$1,288,700.00 of the proceeds of the sale of the Bonds in the Construction Account.

Moneys in the Construction Account will be disbursed to acquire and construct the Project. Any moneys not so expended will be used to redeem the Bonds.

Rebate Account. Pursuant to the Indenture, the Trustee will establish and maintain so long as any Bonds are Outstanding, a separate Account to be known as the "Rebate Account".

The Rebate Account will not be pledged as security for the payment of the principal of, premium, if any, and interest on any series of Bonds and shall remain in the Rebate Account until either (a) the money is disbursed to the United States of America or (b) a determination is made by the Trustee that such funds are not owed to the United States of America under the rebate requirements of Section 148 of the Code.

Not more than 30 days after five years following the date of delivery of the bonds, and at intervals of every five years thereafter, the Trustee will pay to the United States of America 90% of the amount required to be on deposit in the Rebate Account as of such payment date. Not later than 60 days following the retirement of all of the Bonds, the Trustee will pay to the United States of America the amount equal to 100% of the balance remaining in the Rebate Account. Each payment to the United States of America will be accompanied by a statement of the Corporation summarizing the determination of the amount of such payment, together with copies of any reports originally filed with the Internal Revenue Service with respect to the Bonds.

With respect to the Rebate Account, the Bond Bank or the Corporation may direct the Trustee to proceed other than as set forth in the Indenture and described above by delivering to the Trustee new investment instructions accompanied by an opinion of Bond Counsel to the effect that compliance with such new investment instructions will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Redemption Account. The Trustee shall deposit in the Redemption Account such amounts as may be directed and delivered by the Bond Bank or the Corporation for the purpose of redeeming the Bonds.

Cost of Issuance Account. The Trustee shall deposit \$0 of the proceeds of the sale of the Bonds in the Cost of Issuance Account and will disburse said proceeds for the purpose of paying the cost of issuing the Bonds. The cost of issuing the bonds will be paid from funds of the Corporation.

Debt Service Reserve Account. The Trustee shall receive from the Corporation and deposit in the Debt Service Reserve Account Reserve Payments made by the Corporation pursuant to the Loan Agreement and shall disburse amounts in

the Debt Service Reserve Account only for the purpose of paying principal of, premium, if any, and interest on the Note. Any moneys remaining in the Debt Service Reserve Account after the Note is paid in full shall be returned to the Corporation. The Debt Service Reserve Account is not a debt service reserve maintained by the Bond Bank, and consequently, no appropriation from the Indiana General Assembly will be sought to replenish the Debt Service Reserve Account if the Corporation fails to make timely payments on the Note.

Investment of Accounts. Funds on deposit in the Accounts from time to time may be invested in Investment Securities.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain provisions of the Indenture between the Bond Bank and the Trustee and does not purport to be a complete description of the Indenture. Reference should be made to the Indenture for a full and complete statement of its provisions.

### Indenture as Contract with Bondholders

The provisions of the Indenture constitute a contract among the Bond Bank, the Trustee, and the holders from time to time of all Bonds issued pursuant to the Indenture. The pledges made in the Indenture and the agreements to be performed by the Bond Bank and the Trustee are for the equal benefit, protection and security of the holders of any and all such Bonds.

### Issuance of the Bonds and Additional Bonds

The Indenture authorizes the issuance of the Bonds. It also authorizes the issuance of Additional Bonds on a parity with the Bonds upon compliance with certain terms and conditions set forth in the Indenture.

### Tax Covenants

The Bond Bank agrees that it will not take nor fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The Bond Bank further covenants that it will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds.

The Bond Bank agrees that from the Revenues there is to be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant survives payment in full or defeasance of the Bonds.

### Compensation of Trustee

The Bond Bank is required to pay to the Trustee reasonable compensation but solely from Revenues for all services rendered under the Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture, and the Trustee will have a lien therefor on any and all funds at any time held by the Trustee under the Indenture.

### Removal of Trustee

The Trustee is to be removed by the Bond Bank if so requested in writing by the holders of a majority in principal amount of the bonds then Outstanding under the Indenture (the "Bonds"), excluding any Bonds held by or for the account of the Bond Bank. The Bond Bank may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as is determined in the sole discretion of the Bond Bank. Any successor Trustee is to be a trust company or bank having the powers of a trust company within or outside the State of Indiana, having retained earnings and shareholder's equity at least equal to that of the predecessor Trustee, if there be such a trust company or bank willing and able to accept the office and authorized by law to perform all the duties imposed upon it by the Indenture.

### Powers of Trustee Under the Loan Agreement

The Bond Bank covenants that the Trustee shall have the power to exercise any of the rights, powers or privileges of the Bond Bank under the Loan Agreement, including but not limited to the right (a) to grant consents, approvals or permissions, (b) to declare a default, (c) to exercise any an all remedies provided for therein, and (d) to perform the Bond Bank's covenants.

### Events of Default

The happening of one or more of the following events constitutes an "Event of Default" under the Indenture:

- (a) payment of any amount payable on the Bonds shall not be made when the same is due and payable and failure to remedy such default within 10 days; or
- (b) any event of default as defined in the Loan Agreement shall occur and be continuing; or
- (c) the Bond Bank shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any agreement supplemental hereof on the part of the Bond Bank to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Bond Bank and the Corporation by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the holders of all of the Bonds then outstanding hereunder; unless the nature of the default is such that (1) it cannot be remedied within the thirty day period, (2) the Bond Bank institutes corrective action within the thirty day period, and (3) the Bond Bank diligently pursues such action until the default is remedied.

### Remedies

Upon the occurrence of an Event of Default, the Trustee may accelerate the maturity of the Bonds and is required to accelerate on written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds. However, if the Bond Bank deposits with the Trustee sufficient funds to pay all principal of the bonds matured prior to the date of acceleration, together with overdue premium and interest, if any, the Owners of at least 66-2/3% in aggregate principal amount of the Outstanding Bonds may rescind the declaration of acceleration.

If an Event of Default occurs, the Trustee may:

- (a) Protect and enforce its rights and the rights of the Owners of the bonds pursuant to judicial proceedings (including the sale of the Note and assignment of the Loan Agreement) or by a suit, action or proceeding at law or in equity to endorse any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for any other remedy;
- (b) By action or suit in equity require the Bond Bank to account as if it were the trustee of any express trust for the Owners of the Bonds and to take such action with respect to the Note and the Loan Agreement as the Trustee deems necessary or appropriate and in the best interest of the Owners of the bonds, subject to the terms of the Note and the Loan Agreement;
- (c) Obtain the appointment of a receiver or receivers of the Trust Estate and of the Revenues with such powers of the court making such appointment shall confer; and
- (d) Pursue those remedies both legal and equitable available to the Trustee.

### Application of Sale Proceeds

The proceeds of the Trust Estate by the Trustee after the occurrence of an Event of Default are to be applied by the Trustee as follows:

- (a) To the payment of costs and expenses of the suit, if any, and the reasonable compensation of the Trustee, its agents and counsel, and of all proper expenses, liabilities and advances incurred or made under the Indenture by the Trustee or by any Owner or Owners of the Bonds, and of all taxes, assessment or liens superior to the lien of the Indenture, except any taxes, assessments or other superior liens subject to which said sale may have been made; then
- (b) To the payment of the whole amount then owing or unpaid upon the bonds for principal, interest, and to the extent permitted by law, interest on overdue principal, premium and interest, at the rate of interest borne by the Bonds and in case the proceeds are insufficient to pay the whole amount due and unpaid on the bonds, then to the payment of such principal, premium, if any, and interest, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, in proportion to the aggregate of such principal and accrue and unpaid interest; and then
- (c) To the payment of the surplus, if any, to the Corporation, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

#### Limitation on Rights of Owners of Bonds

No Owner of any Bond will have any right to institute or prosecute any suit or proceeding at law or in equity or for the foreclosure of the Indenture, for the appointment of a receiver of the Bond Bank, for the enforcement of any of the provisions of or of any remedies under the Indenture, in respect to the pledged property unless the Trustee, after a request in writing by the Owners of 25% in aggregate principal amount of the Outstanding Bonds, and after the Trustee has been assured such reasonable indemnity as it may require, has neglected for 60 days to take such action. However, the right of any Owner of any Bond to receive payment of principal and/or interest on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, will not be impaired or affected without the consent of such Owner.

#### Supplemental Indentures

The Bond Bank and the Trustee are permitted to enter into supplemental indentures for one or more of the following purposes:

- (a) To make provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained in the Indenture as the Bond Bank deems necessary or desirable and not inconsistent with the Indenture and which will not adversely affect the interest of the Owners of the Bonds;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgement of the Trustee, does not materially and adversely affect the interest of the owners of the Outstanding Bonds and does not require the unanimous consent of the Bondholders;
- (c) To subject to the Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit their qualification under the Trust Indenture Act of 1939 or any similar federal statute and, for the purpose of such qualification, to add to the Indenture or any supplemental indenture such other terms, conditions and provisions as may be required by the Trust Indenture Act of 1939 or similar federal statute;
- (e) To evidence the appointment of a separate or co-trustee or the succession of a new Trustee hereunder; and

- (f) In connection with the issuance of Additional Bonds.

Any supplemental indenture authorized by the Indenture for one or more of the foregoing purposes may be executed by the Bond Bank and the Trustee without the consent of the Owners of any Outstanding Bonds.

With the consent of the Owners of not less than 51% in aggregate principal amount of the Outstanding Bonds, the Bond Bank and the Trustee are permitted to enter into a supplemental indenture for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture. However, no supplemental indenture may without the consent of the Owner of each Bond so affected:

- (a) extend the maturity of the principal of or interest or redemption date on any Bond or Qualified Obligation;
- (b) reduce the principal amount of any Bond or Qualified Obligation or change the rate of interest;
- (c) grant a privilege or priority to any Bond or Bonds or Qualified Obligation over any other Bond or Bonds or Qualified Obligation, respectively;
- (d) reduce the percentage of Owners of Bonds required to approve any supplemental indenture;
- (e) permit the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds at any time outstanding or deprive the Owners of the Bonds of the lien created by the Indenture; or
- (f) permit the modification of the trust, powers, rights, obligations, duties, remedies, immunities of the Trustee without the written consent of the Trustee.

#### Defeasance

The covenants, liens and pledges entered into, created or imposed pursuant to the Indenture may be fully discharged and satisfied with respect to the Bonds when any of the following occurs:

- (a) the payment of all of the principal, premium, if any, and interest on the Bonds when the same become due and payable; or
- (b) the deposit with the Trustee, at or before the dates of maturity or redemption, of Investment Securities in an amount sufficient to pay or redeem all the Bonds and the interest thereon accrued to the date of payment; or
- (c) the deposit with the Trustee, at or before the dates of maturity or redemption, of Investment Securities in an amount sufficient to pay or redeem all the Bonds and the interest thereon accrued to the date of payment; or
- (d) the delivery to the Trustee, for cancellation by it, of all unpaid Bonds.

In each case, payment must also be made by the Bond Bank of all other sums payable under the Indenture.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**

The following is a summary of certain provisions of the Loan Agreement dated as of February 1, 2000 (the "Loan Agreement"), and does not purport to describe the Loan Agreement comprehensively. Reference should be made to the Loan Agreement for a complete statement of its provisions.

#### Term of Loan Agreement and Payments

The obligations of the Corporation under Loan Agreement and the Note commence on the date of issuance of the bonds, and terminate after payment in full of all amounts due under the Loan Agreement and the Note.

## Loan Payments

The Corporation has agreed to make all Loan Payments directly to the Trustee in installments of principal and interest in the amounts set forth in the Note. If, on any Loan Payment Date, funds in the Revenue Account are available for payment of the corresponding payment on the Bonds, the amount of the Loan Payment is to be reduced by an amount equal to the funds so available. Interest on any past due Loan Payment will accrue at the same rate as the interest rate on the Note. The Loan Payments are due on each Loan Payment Date unless (a) the Optional Prepayment Price is paid in whole, or (b) the due date on the Loan Payments is accelerated.

### Payment of Additional Payments

In addition to the Loan Payments described above, the Corporation has agreed to deposit with the Trustee the Reserve Payment (as described below). The Corporation has also agreed to pay to the Trustee all fees and expenses of the Trustee and the Bond Bank.

### Reserve Payments

The Corporation is required to make a payment of \$2,490 per month on the first day of each month directly to the Trustee for deposit into the Debt Service Reserve Account (the "Reserve Payment"). Reserve Payments may be terminated when the Debt Service Reserve Account is funded in an amount equal to the Debt Service Reserve Requirement, but Reserve Payments shall be resumed at any time the Debt Service Reserve Account is not funded in the amount of the Debt Service Reserve Requirement.

### Absolute and Unconditional Payment

The obligation of the Corporation to make payment of Loan Payments, Additional Payments and Reserve Payments and any other amounts required by the Loan Agreement and to perform and observe the other covenants and agreements contained therein is absolute and unconditional in all events except as otherwise expressly provided in the Loan Agreement. The Corporation shall not be entitled to any right of setoff or counterclaim against its obligation to make such payments.

### Pledged Revenues

The Corporation mortgages, warrants and conveys to the Bond Bank all its right, title and interest in and to the Revenues. The Corporation pledges, assigns and conveys to the Bond Bank all of its right, title and interest in and to the Revenues as security for the Loan.

### Additional Notes

So long as no Event of Default has occurred and is continuing, the Corporation is permitted from time to time with the consent of the Issuer to issue Additional Notes pursuant to the Loan Agreement to secure Additional Bonds issued under the Indenture. Additional Notes may only be issued for the following purposes:

- (a) to refund any Outstanding Note; or
- (b) to pay the costs of completing, improving, replacing, rehabilitating, expanding, altering or enlarging the Project and to pay costs related to such completing, improving, replacing, rehabilitating, expanding, altering or enlarging of the Project, including costs of issuing Additional Bonds.

The principal amount of any Additional Note issued pursuant to paragraph (a) above may not exceed the amount necessary to redeem or refund the Note being redeemed or refunded together with any prepayment premium payable in connection therewith, accrued and unpaid interest thereon to the date of redemption or maturity and the amount of moneys deemed necessary to pay the expenses of the issuance thereof.

Additional Notes being issued pursuant to paragraph (b) above may not exceed the amount necessary to redeem or refund the Note being redeemed or refunded together with any prepayment premium payable in connection therewith, accrued and unpaid interest thereon to the date of redemption or maturity and the amount of moneys deemed necessary to pay the expenses of the issuance thereof.

Additional Notes issued under the Loan Agreement may only be issued in accordance with the terms and conditions of the Loan Agreement to secure Additional Bonds, the Trustee shall receive an Opinion from Bond Counsel stating that such Additional Note has been issued in accordance with the Loan Agreement and that such issuance will have no adverse effect on the validity or legality of the bonds or on the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Additional Notes issued pursuant to the provisions of the Loan Agreement shall be on a parity with the Note and shall be equally and ratably secured by the Loan Agreement.

#### Optional Prepayment

The Note may be prepaid in whole or in part on any date after January 1, 2010, at a redemption price expressed as a percentage of the principal amount of each Bond to be redeemed in accordance with the schedule previously provided. **See the caption – “Optional Redemption”** (page 8 of this document). The Corporation shall give the trustee not less than forty-five (45) days prior written notice of any prepayment of the Note.

#### Approval and Regulation by the Indiana Utility Regulatory Commission

The Corporation's rates are, and throughout the term of the Loan will be, controlled by the Indiana Utility Regulatory Commission. The IURC by order in cause number 41441 dated June 16, 1999, approved an increase in rates for the Corporation sufficient to amortize the Loan.

#### Maintenance and Use of the Project

The Corporation agrees to maintain the Project in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Corporation also agrees that it will not use the Project or suffer or permit the Project to be used in an unrelated trade or business as defined in Section 513(a) of the Code.

#### Maintenance of Tax Exempt Status

The Corporation agrees to maintain its status as a Tax Exempt Organization, and further agrees to notify the Bond Bank and the Trustee of the happening of any event which would result in the loss of any such status or placing the same in jeopardy.

#### Rates and Charges

The Corporation agrees to operate on a revenue-producing basis and on a non discriminatory basis as approved by the IURC, and to the extent permitted by applicable law and the IURC, to charge such reasonable fees, charges and rates for its facilities and services and to exercise such skill and diligence as to provide gross Revenues and cash flow from its properties, together with other legally available funds, sufficient to pay promptly all payments of principal and interest on the Note and all ongoing expenses due under the Loan agreement, expenses of operations, maintenance and repairs of its properties and to provide all other payments required to be made under the; Loan Agreement.

#### Liens

The Corporation is not permitted to create, incur or suffer to exist any lien, charge or encumbrance on the Project other than (a) Permitted Encumbrances or (b) to the Bond Bank to secure the Note or (c) an encumbrance to secure Additional Obligations.

#### Financial Information

The Corporation agrees to:

- (a) deliver to the Trustee and to the Bond Bank as soon as available and in any event within 120 days after the end of each fiscal year, an audited statement of its financial position and an audited statement of the consolidated financial position of the Corporation and parent corporations, subsidiary corporations and otherwise affiliated corporations, if any, as of the end of such fiscal year and the related statements of Revenues and expenses, fund balances and changes in fund

balances for such fiscal year, all reported on by certified public accountants. Upon receipt by the Corporation of the accountant's management letter, if any, the Corporation agrees to forward a copy of same to the Trustee; and

- (b) upon request, deliver to the Trustee and the Bond Bank as soon as available and in any event within 60 days after the end of the first half of each fiscal year, a statement of its financial position and a statement of the consolidated financial position of the Corporation and all subsidiary corporations, if any, as of the end of such period and the related statements of Revenues and expenses, fund balances and changes in fund balances for such period of the fiscal year, which statements may be internal statements and need not be audited by independent certified public accountants.

### Financial Covenants

The Corporation agrees to maintain its charges and rates at a level which will result in annual Net Revenues available for debt service at least equal to 125% of annual debt service.

### Indemnity

The Corporation agrees to pay, and to protect, indemnify and save, the Bond Bank, the Trustee and the State, each member, officer, commissioner, employee and agent of the Bond Bank or the state and each another person, if any, who has the power, directly or indirectly, to direct or cause the direction of the management and policies of the Bond Bank, harmless from and against any and all liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of or in connection with any injury to, death of, any person or any damage to property resulting from the use or operation of the Project) in any manner directly or indirectly (in any case, whether or not by way of the corporation or its successor and assigns) arising or resulting from, out of or in connection with the Bonds, the sale of the Bonds, the Official Statement, the Preliminary Official Statement, the Project, the Loan Agreement, the Note or the Indenture or the breach or violation of any agreement, covenant, representation or warranty of the corporation set forth in the Loan Agreement, the Note or any document delivered pursuant to or in connection with the Loan Agreement, the Note or any document.

### Maintenance of Security, If Any; Recordation of Interest

The Corporation will, at its expense, take all necessary action to maintain and preserve the security interest in the Project evidenced and created by the Loan Agreement so long as any amount is owing under the Note and the Loan Agreement.

The Corporation will, after the execution and delivery of the Loan Agreement and thereafter from time to time, cause the Loan Agreement and any financing statements in respect thereto to be filed, registered and recorded in such manner and in such places as may be required by law in order to protect the security interest created by the Loan Agreement or the pledge to the Trustee under the Indenture and from time to time will perform or cause to be performed any other act as provided in law and will execute or cause to be executed any and all continuation statements and further instruments that may be requested by the Trustee for such protection.

The Corporation irrevocably makes, constitutes and appoints the Trustee and any of its officers, employees or agents as its true and lawful attorney with power to sign the name of the Corporation to any financing statement, continuation statement or further instruments required to protect the security interest of the Trustee, provided the Corporation has not complied with the Trustee's request to execute such documents within three (3) days from the date of written request.

Except to the extent it is exempt therefrom, the Corporation will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgement of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Loan agreement and such instruments of further assurance.

### Guaranteeing the Obligations of Other

The Corporation has not and shall not guarantee the obligations of any other parties.

### Limitations on Issuance of Additional Obligations and Additional Notes

The Corporation agrees that prior to the issuance and delivery of any Additional Obligations (other than obligations all of the proceeds of which are used to refund the Note or any Additional Notes or other Additional Obligations then outstanding), and as a condition precedent thereto, it shall deliver to the Trustee, among other requirements:

- (a) a certificate of the Authorized Officer of the Corporation setting forth the amount of such Additional Obligations and the intended uses of the proceeds thereof and certifying that there exists no existing Event of Default or a default under any outstanding Additional Obligations; and
- (b) a report or opinion of an independent certified public accountant to the effect that the Net Revenues in the fiscal year immediately preceding the issuance of any such additional Obligations ranking on a parity with the Outstanding Notes shall be not less than one hundred twenty-five percent (125%) of the maximum aggregate annual interest and principal requirements of the then outstanding Notes and any Additional Notes and other outstanding Additional Obligations and the Additional Obligations proposed to be issued; or, prior to the issuance of the Additional Obligations, the water rates and charges shall be increases sufficiently so that increased rates and charges applied to the previous year's operations would have produced Net Revenues for said year equal to not less than one hundred twenty-five percent (125%) of the maximum aggregate annual interest and principal requirements of all then outstanding Notes and any additional Notes and other outstanding Additional Obligations and Additional Obligations proposed to be issued.

### Tax Exempt Status of Bonds

The Bond Bank and the Corporation acknowledge that it is the intention that the interest on the Bonds not be included within the gross income of the holders thereof for federal income tax purposes. In furtherance hereof, the Corporation agrees to take all action within its control at the direction of the Bond Bank which is necessary in order for the interest on the Bonds to remain exempt from federal income taxation and will refrain from taking any action which results in such interest becoming so taxable.

The Corporation covenants that neither it nor any related person, as defined in Section 144(a) of the Code, shall pursuant to an arrangement, formal or informal, purchase obligations of the Bond Bank in a amount related to the amount of the Loan or the Note delivered in connection with the transaction contemplated hereby.

The Corporation covenants that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds or the Notes, with respect to the payments derived from the Bonds, the Note or the Loan Agreement or with respect to the purchase of other bond Bank obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the code and the regulations promulgated thereunder.

### Assignment

The Loan Agreement, the Note, and the right to receive payments of the Corporation made under the Loan Agreement and the Note may be assigned and reassigned in whole or in part to one or more assignees or subassignees by the Bond Bank at any time subsequent to its execution without the necessity of obtaining the consent of the Corporation. The Corporation expressly acknowledges that the Loan Agreement and the Note and the right to receive payments of the Corporation made hereunder (with the exception of the Bond Bank's rights to indemnification, fees and expenses) have been assigned to the Trustee as security for the Bonds under the Indenture and that the Trustee is entitled to act thereunder in the place and stead of the Bond Bank whether or not the Bonds are in default.

The Loan Agreement and the Note may not be assigned by the Corporation for any reason without the express prior written consent of the bond Bank and the Trustee.

### Events of Default

The occurrence of any of the following events constitutes an Event of Default under the Loan Agreement:

- (a) Failure by the Corporation to pay any installment of interest or principal on the Note when the same shall become due and payable, whether at maturity or upon any date fixed for prepayment or by acceleration or otherwise and to remedy such failure within 10 days thereafter; or
- (b) Failure by the Corporation to perform any other covenant, condition or provision hereof and to remedy such default within 30 days after notice thereof from the Trustee to the Corporation, unless the nature of the default is such that (1) it cannot be remedied within the 30 day period, (2) the Corporation institutes corrective action within the 30 day period, and (3) the Corporation diligently pursues such action until the default is remedied; or
- (c) An Event of Default under the Indenture.

### Remedies

During the occurrence and continuation of any Event of Default under the Loan Agreement, the Bond Bank or the Trustee may, in addition to any other remedies in the Loan Agreement or by law provided:

- (a) Declare all Loan Payments, and all other amounts due under the Loan Agreement or the Note, to be immediately due and payable, and upon notice to the Corporation the same shall become immediately due and payable by the Corporation without further notice or demand.
- (b) Take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement or the Note or to enforce any other of its or their rights under the Loan Agreement or the Note.

Any moneys collected by the Bond Bank or the Trustee as a result of the actions described above shall be applied (a) first, to any reasonable Trustee fees, attorneys' fees or other expenses owed by the Corporation to the Bond Bank or the Trustee pursuant to the Loan Agreement pro rata based on the amount of such expenses owed, (b) second, to pay any interest due on the Note, (c) third, to pay principal due on the Note and (d) fourth, to pay interest and principal on the Note and other amounts payable under the Loan Agreement but which are not due, as they become due (in the same order, as to amounts which come due simultaneously).

### Amendments, Charges, and Modifications

The Loan Agreement and the Note may be amended by the Bond Bank and the Corporation as provided in the Indenture. However, no such amendment shall be effective unless it has been consented to in writing by the Trustee.

## **THE BONDS AS LEGAL INVESTMENTS**

Under the Act all financial institutions, investment companies, insurance companies and associations, executors, administrator, guardians, trustees and other fiduciaries in the State may legally invest sinking funds, money or other funds belonging to or within the control of such fiduciaries in the bonds and notes of the Bond Bank issued under the Act.

## **LITIGATION**

### Bond Bank

To the Bond Bank's knowledge, there is not now any ending or threatened litigation restraining, questioning or enjoining the issuance, sale, execution or delivery of the Bonds or prohibiting the Bond Bank from a loan of the proceeds of the Bonds to the Corporation in exchange for the Note made payable to the Bond Bank or in any way contesting or affecting the validity of the Bonds, any proceedings of the Bond Bank taken with respect to the issuance or sale thereof or the pledge or application of any money or security provided for the payment of the Bonds. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present Directors or other officers of the Bond Bank to their respective offices being contested.

### Corporation

To the Corporation's knowledge, there is not now any pending or threatened litigation restraining, questioning or enjoining the issuance, sale, execution or delivery of the Bonds or prohibiting the Corporation from using the proceeds of the Bonds for the purposes contemplated herein or in any way contesting or affecting the validity of the Bonds, any proceedings of the Corporation taken with respect to the issuance thereof or the pledge or application of any money or security provided to secure payment of the Note. Neither the creation, organization or existence of the Corporation nor the title of any of the present Directors or other officers of the corporation to their respective offices is being contested.

## **TAX MATTERS**

In the opinion of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a "substantial user" of the Project or a "related person" as defined in Section 147(a) of the Code.

This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Bond Bank and the Corporation with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Baker & Daniels, Indianapolis, Indiana ("Bond Counsel") under existing law, interest on the Bonds is exempt from taxation in the State of Indiana ("State") except the Indiana financial institutions tax and the Indiana Inheritance tax.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the bonds for federal income tax purposes. The Bond Bank and the Corporation will covenant not to take any action, within their power and control, or fail to take any action with respect to the Bonds that would result in the loss if the exclusion from gross income for federal income tax purposes of interest on the bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Indenture, the Loan Agreement and the Note and certain certificates and agreements to be delivered on the date of delivery of the Bonds establish procedures under which compliance the requirements of the Code can be met. It is not an Event of Default under the Indenture if interest on the Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Bonds.

The Code also subjects taxpayers to an alternative minimum tax on a taxpayer's "alternative minimum taxable income", which, in general terms, consists of a taxpayer's regular taxable income plus its tax preferences and special adjustments with respect to certain deductions used by a corporation to compute taxable income. One of the preference items for both individuals and corporations included in determining alternative minimum taxable income is interest on certain private activity bonds, including the Bonds. The interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Alternative minimum taxable income, including interest on the Bonds, is also included in calculating the environmental tax imposed by Section 59A of the Code.

On January 1, 1990 Indiana imposed a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, are all corporations which are transacting the business of a financial institution in Indiana. The franchise tax will be measured in part by interest excluded from gross income under Section 103 of the code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from federal gross income taxation and taxation in the state except the Indiana financial institutions tax and the Indiana inheritance tax, the accrual or receipt of interest on the Bonds may otherwise affect a bondholder's federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the Bonds by the Bond Bank are subject to the approval of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Bond Bank by its General Counsel, Barnes & Thornburg, Indianapolis, Indiana, and for the corporation by its Special Counsel with respect to rates and charges established for collection, Mark Cooper, Indianapolis, Indiana.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

## **UNDERWRITING**

Under the Bond Purchase Agreement entered into among the Underwriter, the Bond Bank and the Corporation, the Bonds are being purchased by the Underwriter for reoffering at an aggregate purchase price of \$1,288,700 (which reflects and Underwriter's discount of \$26,300). The obligations of the Bond Bank to deliver the Bonds and of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Bond Purchase Agreement. The initial offering prices may be changed from time to time, by the Underwriter.

The Underwriter has agreed to make a bona fide public offering of all of the Bonds at prices not to exceed the initial public offering prices set forth or reflected inside of the cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the offering price.

## CONTINUING DISCLOSURE

Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended (the “Act”), provides that, except as otherwise provided in the Rule, a participating Underwriter must not purchase or sell municipal securities in connection with an offering unless the participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person for whom financial or operating data is presented in the final Official Statement has undertaken, either individually or in combination with other issuers of such municipal securities or obligated persons, in a written agreement or contract for the benefit of holder of such securities to provide certain information.

In order to assist the Underwriter in complying with the Rule, the Corporation will, upon issuance of the Bonds, execute a Continuing Disclosure Agreement from the Corporation to each beneficial or registered owner or holder of any Bonds, with Monroe County Bank, located in Bloomington, Indiana, as Counterparty, to be dated the date of issuance of the Bonds (the “Continuing Disclosure Agreement”). The Continuing Disclosure Agreement will contain certain promises of the Corporation to each beneficial or registered owner or holder of any Bond, including a promise to provide certain continuing disclosure. By its payment for and acceptance of any Bond, the beneficial or registered owner or holder thereof accepts and assents to the Continuing Disclosure Agreement and the exchange of (i) such payment and acceptance for (ii) such promises.

The following is a summary of certain provisions of the Continuing Disclosure Agreement, and is qualified in its entirety by reference to the Continuing Disclosure Agreement.

In the Continuing Disclosure Agreement, the Corporation agrees to, within 210 days of the end of each fiscal year, commencing in 2001 for the Corporation’s fiscal year ended December 31, 2000, send to each nationally recognized municipal securities information repository (a “NRMSIR”) and any state information depository for the State (a “SID”) an annual report, described below (the “Annual Report”). However, the audited financial statement of the Corporation referred to below may be submitted separately from the balance of the Annual Report.

If the Corporation is unable or fails to provide the Annual Report to the NRMSIRs and any SID (collectively, the “Repositories”) by the required date, the Counterparty, on or before such date, will send a notice to each Repository.

The Annual Report will contain or incorporate by reference the following information: annual audited financial statements, and operating data related to such statements of the Corporation, prepared in conformance with generally accepted accounting principles, as in effect from time to time. The Annual Report shall include detail regarding any change in licensure; a summary prepared by the Corporation of the letters of counsel to the Corporation concerning material litigation; detail regarding any change in management; detail regarding changes in competition in the Corporation’s service area; and utilization data for the most recent fiscal year.

If the occurrence of any of the following events (a “listed Event”) is material, the Corporation will, in a timely manner, file a notice of such occurrence with the Municipal Securities Rulemaking Board (the “MSRB”) or each NRMSIR, and any SID:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of the security holders;

8. Bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event, the terms of which redemption are set forth in detail in this Official Statement);
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities; and
11. Rating changes.

The Corporation's obligations under the Continuing Disclosure Agreement will terminate upon the defeasance, prior redemption or payment in full of all of the bonds in accordance with the terms of the Indenture.

The Corporation and Counterparty may amend this Continuing Disclosure agreement if such amendment meets the following:

- (a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of any obligated person (as defined in the Rule), or type of business conducted;
- (b) The undertaking, as amended, would have complied without the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interest of holders of the bonds, as determined either by parties unaffiliated with the Corporation or an obligated person (such as the Trustee or bond counsel), or by an approving vote of the Owners of Outstanding bonds pursuant to the terms of the governing instrument at the time of the amendment.

In the event of a failure of the Corporation to comply with the provisions of the Continuing Disclosure Agreement, any registered or beneficial owner may individually seek, as the sole remedy under the Continuing Disclosure Agreement, to compel performance by court order, to cause the Corporation to comply with its obligations under the Continuing Disclosure Agreement, and not for money damages of any kind or in any amount. However, regarding the adequacy of any information disclosed by the Corporation, the registered or beneficial holders of 25% or more in aggregate principal amount of all Bonds then Outstanding will be required to jointly take actions to seek, as the sole remedy under the Continuing Disclosure Agreement, to complete specific performance by court order to challenge the adequacy of any information reported by the Corporation thereunder and not for money damages of any kind or in any amount. A default under the Continuing Disclosure Agreement will not be deemed an Event of Default under the Bonds, the Loan Agreement, Indenture or any agreement to which the Corporation is a party, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Corporation to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

The Counterparty shall have no obligation to take any action whatsoever with respect to information provided by the Corporation under the Continuing Disclosure Agreement except any obligations arising from the Counterparty serving as a dissemination agent, and no implied covenants or obligations shall be read into the Continuing Disclosure Agreement against the Counterparty. Further, the Counterparty shall have no responsibility to ascertain the truth, completeness or accuracy of the information provided as required under the Continuing Disclosure Agreement by the Corporation, nor as to its sufficiency for purposes of compliance with Rule or the requirements of the Continuing Disclosure Agreement.

Except as described below, the remedies described in the preceding paragraph may be exercised by the registered or beneficial owner or owners of Bonds, as applicable, in any court of competent jurisdiction in Indiana.

Prior to pursuing any remedy for any breach of any obligation under the Continuing Disclosure Agreement, the registered or beneficial owner or owners of the Bonds, as applicable, must give notice to the Corporation, by registered or certified mail, of such breach and its or their intent to pursue such remedy. Forty-five days after the mailing of such notice,

and not before, such remedy may be pursued under the continuing Disclosure Agreement if and to the extent the Corporation has failed to cure such breach within such forty-five days.

The Continuing Disclosure Agreement inures solely to the benefit of the Corporation, any dissemination agent, and registered or beneficial owners from time to time of the Bonds, and creates no rights in any other person or entity.

Any failure by any Owner of the Bonds to institute any suit, action or other proceeding for any breach or violation by the Corporation of any obligation of the Corporation under the Continuing disclosure Agreement, within 360 days after the date of such Owner first has knowledge of such breach or violation, will constitute a waiver by such Owner of such breach or violation and, after such waiver, no remedy shall be available to such Owner for such breach or violation.

For purposes of the Continuing Disclosure Agreement, each Owner will be deemed to have knowledge of the provision and content of any information, datum, statement or notice provided by the corporation to any NRMSIR, and SID or the MSRB on the date such information, datum, statement or notice is so provided, regardless of whether such Owner was a registered or beneficial owner or holder of any Bonds at the time such information, datum, statement or notice was so provided.

### **INDEPENDENT AUDITORS**

The financial statements of the Corporation for each of the two years in the period ended December 31, 1998, which appear in Appendix D to this Official Statement, have been audited by Phyllis A. Kreis, certified public accountant, as stated in its report included in Appendix B to this Official Statement.

### **MISCELLANEOUS**

Miscellaneous. The Bond Bank's offices are located at 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204, telephone (317) 233-0888.

The Corporation's office is located at 1100 East Chambers Pike, Bloomington, Indiana 47408, telephone (812) 333-4526.

This Official Statement speaks only as of its date, and the information herein is subject to change.

All quotations from, and summaries and explanations of the Act, the Indenture, the Loan Agreement, the Note and the Bonds contained in this Official Statement do not purport to be complete and reference is made to the Act, the Indenture, the Loan Agreement, the Note and the Bonds for full and complete statements of their provisions. The attached Appendices, including Appendix A entitled "Definitions", are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies in reasonable quantity of the Act, the Indenture and the Loan Agreement and the supplemental materials furnished to the Bond Bank by the Corporation may be obtained upon request direct to the Bond Bank.

Neither any advertisement of the Bonds or this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving matter of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement has been duly approved, executed and delivered by the Bond Bank and the Corporation.

INDIANA BOND BANK

By: /s/ Tim Berry  
Chairman

WASHINGTON TOWNSHIP WATER CORP.

By: /s/ Mike Wampler  
President